Amendment in ECB guidelines

2230. SHRI S. AGNIRAJ: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are coming out with revised guidelines for ECB approvals;

(b) what are the details of these amendments; and

(c) by when it will come into force and whether the process for getting approvals will be simplified?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBAADSUL): (a) to (c) ECB guidelines and procedures are periodically reviewed by the Government in the light of prudent management of external debt, changing market conditions, sectoral requirements etc. In the background of developments in recent months, Government in November, 2003 carried out revisions in the existing ECB policy for a temporary period until further review and relevant press release was issued on 12th November, 2003. The following changes were made:

(i) All ECBs shall be subject to the following revised maximum spreads over six months LIBOR, for the respective currency in which the loan is being raised or the applicable benchmark(s), as the case may be:

Type of Projects	Existing (all-in-cost)	New (all-in-cost)
Normal Projects-	300	150
Infrastructure-	400	250
Long term-	450	300

(ii) ECBs for meeting rupee expenditure under automatic route to be heclged unless there is a natural hedge in the form of uncovered foreign exchange receivables, which will be ensured by Authorised Dealers (ADs). Under the old ECB guidelines, there was no stipulation of compulsory hedging.

(iii) ECBs exceeding USD 50 million would be permitted for the following end uses only (a) Financing import of equipment and (b) Foreign exchange needs of infrastructure projects. Under the old ECB guidelines there was no end use restruction for ECBs except investment in capital market.

(iv) No financial intermediary *{viz.* a bank, DFI, or NBFC) will be either allowed acess to ECBs or to provide guarantees. However, this will not apply to Textile and Steel restructuring packages which have already been announced by the Government in consultation with RBI. Under the old ECB guidelines, there was no such restriction.

(v) ECBs pending utilization would need to be parked overseas. Under the old ECB guidelines, ECB raised were required to be utilized/ brought into the country at the earliest.

Payment of interest by investors of UTI

2231. DR. ABRAR AHMED: Will the Minister of FINANCE be pleased to refer to the answer to Unstarred Question 906 given in the Rajya Sabha on the 29th July, 2003 and state:

(a) the number of cases in which Unit Trust of India Investor Services Limited has paid interest @ 5.5 per cent per annum to the investors for delayed payment to US-64 'A' unit holders, as advised by SUUTI; and

(b) if not, whether such payment has been made, the reasons therefore and the action taken in the matter so far?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIANANDRAO VITHOBAADSUL): (a) and (b) Information is being collected and will be laid on the Table of the House.

Payment of service tax in **Karnataka**

2232. SHRI K.B. KRISHNA MURTHY: Will the Minister of FINANCE be pleased to state:

(a) the total number of persons/organisation liable to pay service tax in Karnataka;